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NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
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DEPT OF COMMERCE WASHDC PRIORITY
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OASIA/WINSHIP AND PISA, NSC FOR LOI, COMMERCE FOR
4431/ITA/MAC/AP/OPB/TAIWAN

E.O. 12958: DECL: 10/24/2018
TAGS: ECON ETRD EINV PREL PGOV TW CH
SUBJECT: DALAI LAMA'S VISIT TO TAIWAN THUS FAR HAS LIMITED
IMPACT ON CROSS-STRAIT ECONOMIC TIES

REF: TAIPEI 1064

Classified By: AIT Economic Chief Hanscom Smith for reasons 1.4 (b) and (d).

¶1. (C) Summary. The Dalai Lama's August 30 arrival in Taiwan caused the PRC to cancel or postpone a range of activities related to the gradual increase in cross-Straight economic cooperation. However, the overall economic impact of the PRC's actions to protest the Dalai Lama's visit appears to be limited for now. End Summary.

¶2. (C) In apparent protest of Taiwan's decision to invite the Dalai Lama to visit areas ravaged by Typhoon Morakot, a delegation from the People's Bank of China that was to participate in a seminar on bond issuance postponed its trip for one week to September 7, causing the Taiwan event organizers to scramble to make new arrangements. According to officials at the Taipei Foundation of Finance, the private sector host of the seminar, the Chinese banking officials stated they would only participate in the seminar if local politicians did not disturb a "subtle situation." They suggested that progress on the negotiation of an Economic Cooperation Framework Agreement (ECFA) and other cross-Straight economic matters might be contingent on how the KMT reacted to the Dalai Lama's visit. (Note: In his September 2 meeting with the Director, reported septel, Vice President Vincent Siew said it is not yet clear if the ECFA negotiating timetable will be affected by the Dalai Lama's visit. End Note.)

¶3. (C) Similarly, a shipping executive canceled his participation in a September 6 ceremony in Taiwan to mark the start of direct shipping services between Taichung and Xiamen, though the new passenger/cargo service to Taichung by China's biggest cargo line will begin as planned. Elsewhere, the Mayor of Zhinan canceled a trip on one of the newly scheduled passenger flights between the Mainland and Taiwan, and several other delegations have notified their Taiwan contacts that their plans for travel may change, according to an official with Taiwan's Mainland Affairs Council (MAC). The MAC official told us there are concerns within the Ma administration that if the Dalai Lama's visit became overly politicized, Beijing might take further retaliatory action to

express its displeasure, which could have more serious repercussions than a few canceled ceremonies to mark the inauguration of new direct cross-Straits flights on August 31 (Reftel).

¶4. (C) Not all cross-Straits activities have been derailed by the Dalai Lama visit, however. In particular, a series of PRC trade delegations will visit Taiwan as scheduled in the second half of 2009, according to an official with the Taiwan External Trade Development Council. The Deputy Party Secretary of Hangzhou met with the Taiwan Electrical and Electronic Manufacturers' Association, one of the most influential industry associations on the island, on September 1 as planned. More importantly, the commencement of new cross-Straits passenger flights has been a resounding success.

Civil Aeronautics Administrations statistics indicated that, in the first week of regularly-scheduled cross-Straits flights, Taiwan's airlines have already almost reached the number of flights allocated by the Administration, and flights to most cities are generally full.

¶5. (C) COMMENT. So far, PRC action in protest of the Dalai Lama's Taiwan visit has been limited to largely symbolic gestures that do not significantly affect actual economic exchanges or the new transportation links. END COMMENT

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